



**First Craven Sanitary District**

**FINANCIAL REPORT**

**June 30, 2023**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
First Craven Sanitary District  
Bridgeton, North Carolina

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the First Craven Sanitary District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, the Local Government Employees' Retirement System Schedules of Proportionate Share of Net Pension Liability and Contributions on pages 31-32, and the budgetary comparison information on pages 33-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, P.L.L.C.*

Carr, Riggs & Ingram, P.L.L.C.  
New Bern, North Carolina  
October 26, 2023

# First Craven Sanitary District Management's Discussion and Analysis

As management of the First Craven Sanitary District, "the District", we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

## **Financial Highlights**

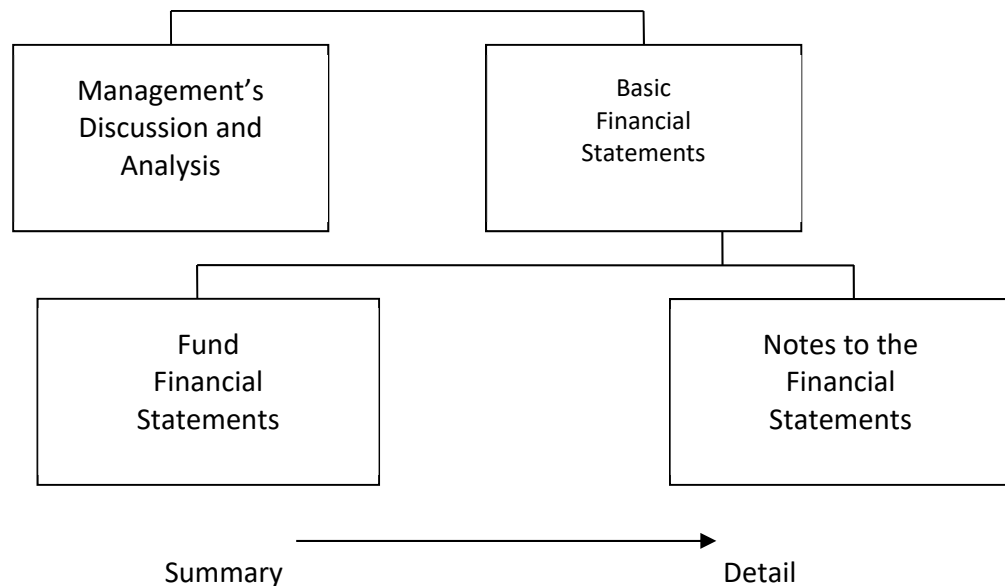
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,748,917 (net position).
- The government's total net position increased by \$137,050, due to an increase in operating revenues and cost savings measures in place.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) the MD&A, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). Because the District is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

### **Required Components of Annual Financial Report**

**Figure 1**



# First Craven Sanitary District Management's Discussion and Analysis

## ***Basic Financial Statements***

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the District's most significant activities by focusing on the individual activities of the major fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance related legal requirements, such as General Statutes and the District's budget ordinance. All of the District's funds are reported in the proprietary category.

The District adopts an annual budget as required by the General Statute. The budget is a legally adopted document that incorporates input from the citizens served by the District, the management of the District, and the decisions of the Board about which services to provide and how to pay for them. The budgetary statement demonstrates how well the District complied with the budget ordinance and whether or not the District succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the final budget as amended by the board; 2) the actual resources; and 3) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

The **statement of net position** presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **statement of revenues, expenses and change in net position** present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The **statement of cash flows** deals specifically with the flow of cash and cash equivalents arising from operating, financing and investing activities. Because the District's Statement of Revenues, Expenses and Changes in Fund Net Position are measured on the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of the difference, the Statement of Cash Flows also include a reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in the statement.

## First Craven Sanitary District Management's Discussion and Analysis

The next section of the basic financial statements is in the notes. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data contain in those statements. The notes to the financial statements can be found on pages 13 through 30 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 31 of this report.

### Government-Wide Financial Analysis

**First Craven Sanitary District's Net Position**  
**Figure 2**

June 30,	2023	2022
Current assets	\$ 2,066,571	\$ 1,822,347
Capital assets	2,593,159	2,778,108
Total assets	4,659,730	4,600,455
Pension deferrals	100,612	63,694
Total deferred outflows of resources	100,612	63,694
Current liabilities	139,992	159,692
Long-term liabilities	870,880	846,358
Total liabilities	1,010,872	1,006,050
Pension deferrals	553	46,232
Total deferred inflows of resources	553	46,232
Net position		
Net investment in capital assets	1,779,159	1,890,108
Unrestricted	1,969,758	1,721,759
Total net position	\$ 3,748,917	\$ 3,611,867

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflow of resources by \$3,748,917 as of June 30, 2023. The District's net position increased by \$137,050 for the fiscal year ended June 30, 2023. However, the largest portion (47.46%) of net position reflects the District's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$1,969,758 is unrestricted.



## First Craven Sanitary District Management's Discussion and Analysis

Several aspects of the District's financial operations influenced its net position components:

- Increase in operating revenues
- Diligence in controlling cost

**First Craven Sanitary District's Changes in Net Position  
Figure 3**

Years ended June 30,	2023	2022
<b>REVENUES</b>		
Charges for services	\$ 1,060,164	\$ 1,056,135
Other revenues	76,607	62,600
<b>Total revenues</b>	<b>1,136,771</b>	<b>1,118,735</b>
<b>EXPENSES</b>		
Water treatment and distribution	339,381	284,378
Personnel and related costs	325,043	314,326
General and administrative costs	97,660	88,826
Depreciation	210,783	232,266
<b>Total expenses</b>	<b>972,867</b>	<b>919,796</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	21,506	17,730
Insurance proceeds	-	17,106
Interest expense	(48,360)	(55,200)
<b>Total nonoperating revenues (expenses)</b>	<b>(26,854)</b>	<b>(20,364)</b>
Change in net position	137,050	178,575
Net position - beginning	3,611,867	3,433,292
<b>Net position - ending</b>	<b>\$ 3,748,917</b>	<b>\$ 3,611,867</b>

### ***Budgetary Highlights***

During the fiscal year, the District revised the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the year ended June 30, 2023, the District amended its budget due to higher repair and departmental supply costs.

## First Craven Sanitary District Management's Discussion and Analysis

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its activities as of June 30, 2023, totals \$2,593,159 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Wireless alarm system

#### **First Craven Sanitary District's Capital Assets (net of depreciation)**

**Figure 4**

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
Land	\$ 34,035	\$ 34,035
Buildings and systems	2,386,627	2,565,241
Vehicles and Equipment	172,497	178,832
Total	\$ 2,593,159	\$ 2,778,108

**Long-term Debt.** As of June 30, 2023, the District had total debt outstanding of \$814,000. All of the District's debt represents bonds secured solely by specified revenue sources.

#### **First Craven Sanitary District's Debt Business-type Activities**

**Figure 5**

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
Bonds payable	\$ 814,000	\$ 888,000
Total debt outstanding	\$ 814,000	\$ 888,000

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

For fiscal year ending June 30, 2024, there was a small water rate increase proposed due to increasing cost of supplies. Revenue from the sale of water is expected to increase slightly due to the rate increase and slightly more demand. Revenue from investment earnings is expected to increase due to higher interest rates. Operating cost are expected to increase due to increasing prices of supplies. Capital improvements were funded to include the replacement of certain equipment.

## First Craven Sanitary District Management's Discussion and Analysis

### *Requests for Information*

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Edward Riggs, Jr. Manager, PO Box 608, Bridgeton, NC 28509. One can call (252) 633-6500, visit our website [www.firstcravensanitarydistrict.com](http://www.firstcravensanitarydistrict.com) or send an email to [firstcraven@embarqmail.com](mailto:firstcraven@embarqmail.com) for more information.

**First Craven Sanitary District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2023**  
**Exhibit 1**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,573,998
Investments	155,887
Receivables (net)	140,662
Inventory	147,694
Restricted cash and cash equivalents	48,330
Total current assets	2,066,571
Noncurrent assets	
Capital assets	
Land	34,035
Other capital assets, net of depreciation	2,559,124
Total capital assets	2,593,159
Total assets	4,659,730

**DEFERRED OUTFLOWS OF RESOURCES**

Pension deferrals	100,612
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**LIABILITIES**

Current liabilities	
Accounts payable	10,190
Other payables	7,472
Current portion of long-term debt	74,000
Payable from restricted assets	
Customer deposits	48,330
Total current liabilities	139,992
Noncurrent liabilities	
Bonds, notes and loans payable	740,000
Net pension liability	130,880
Total noncurrent liabilities	870,880
Total liabilities	1,010,872

**DEFERRED INFLOWS OF RESOURCES**

Pension deferrals	553
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**NET POSITION**

Net investment in capital assets	1,779,159
Unrestricted	1,969,758
Total net position	\$ 3,748,917

*The accompanying notes are an integral part of these financial statements.*

**First Craven Sanitary District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**  
**Exhibit 2**

<b>OPERATING REVENUES</b>	
Customer water charges	\$ 1,060,164
Reconnection fees	13,507
Tap fees	19,450
Application fees	10,125
System development fees	23,332
Other income	10,193
<b>Total operating revenues</b>	<b>1,136,771</b>
<b>OPERATING EXPENSES</b>	
Water treatment and distribution	339,381
Personnel and related costs	325,043
General and administrative costs	97,660
Depreciation	210,783
<b>Total operating expenses</b>	<b>972,867</b>
Operating income	163,904
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	21,506
Interest charges	(48,360)
<b>Total non-operating revenues (expenses)</b>	<b>(26,854)</b>
<b>CHANGE IN NET POSITION</b>	<b>137,050</b>
Total net position - beginning	3,611,867
Total net position - ending	\$ 3,748,917

*The accompanying notes are an integral part of these financial statements.*

**First Craven Sanitary District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**  
**Exhibit 3**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,124,751
Cash paid for goods and services	(470,278)
Cash paid to or on behalf of employees for service	(309,118)
Customer deposits received	6,825
Customer deposits returned	(6,835)
Net cash provided by operating activities	345,345
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(25,834)
Principal paid on long term debt	(74,000)
Interest paid on long-term debt	(48,360)
Net cash used by capital and related financing activities	(148,194)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(155,887)
Interest on investments	21,506
Net cash used by investing activities	(134,381)
Net increase in cash, cash equivalents and restricted cash	62,770
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	
Cash, cash equivalents and restricted cash - beginning	1,559,558
Cash, cash equivalents and restricted cash - ending	\$ 1,622,328
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 163,904
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	210,783
Changes in assets, deferred outflows of resources, and liabilities:	
Receivables (net)	(12,020)
Inventory	(13,547)
Deferred outflows of resources	(36,918)
Net pension liability	98,522
Accounts payable	(14,588)
Other payables	(5,102)
Customer deposits	(10)
Deferred inflows of resources	(45,679)
Net cash provided by operating activities	\$ 345,345

*The accompanying notes are an integral part of these financial statements.*

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of First Craven Sanitary District (the “District”) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The First Craven Sanitary District is a political subdivision of the State of North Carolina created under General Statute 130A of the State of North Carolina. The District provides water services to individuals and businesses in Bridgeton, North Carolina, and the adjacent area. The District is governed by an elected Board of five commissioners. As required by generally accepted accounting principles, these financial statements present the financial information of the District.

#### B. Basis of Presentation

The statement of net position and the statement of revenues, expenses, and changes in net position display information about the primary government. These statements include the financial activities of the District. The District operates as a single-purpose government and reports all activities as one proprietary fund. Proprietary funds are financed in whole or in part by fees charged to external parties.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The District reports the following major proprietary fund:

Operating Fund - This fund is used to account for the District’s water management operations.

#### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the District are maintained during the year using the modified accrual basis of accounting.

*Proprietary Fund Financial Statements.* The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for membership fees and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Budgetary Data

The District's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all capital projects. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the functional level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, amendments to the original budget were recorded. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

##### 1. Deposits and Investments

All of the District's deposits are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The District may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The District's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at amortized cost, which approximates fair value, and is the NCCMT share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

##### 2. Cash and Cash Equivalents

The District pools certain monies from several sources to facilitate disbursement and maximize investment income. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in the external investment pool.

**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Restricted Cash and Cash Equivalents

Customer deposits held by the District before any services are supplied are restricted to the service for which the deposit was collected.

4. Accounts Receivable – Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management believes are collectible. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has determined an allowance for doubtful accounts is not necessary.

5. Inventory

The inventories of the District are valued at cost (first-in, first-out), which approximates market. The District's inventories consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The District has a capitalization policy of \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Operating plant	20-50 years
Vehicles and Equipment	5-10 years
Other Improvements	10 years

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that meets this criterion – pension deferrals.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meet this criterion – pension deferrals.

8. Long-Term Obligations

In the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

9. Compensated Absences

The vacation policy of the District provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. Unused vacation leave in the amount of up to thirty days or 240 hours may be carried forward to the following year. Accrued vacation leave in excess of 240 hours will be converted to sick leave at the beginning of each calendar year. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The District has assumed a first-in, first-out method of using accumulated compensated time. The liability for compensated absences is immaterial and has not been recorded.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the District does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

11. Defined Benefit Cost-Sharing Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

12. Recently Issued and Implemented Accounting Pronouncements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 12. Recently Issued and Implemented Accounting Pronouncements (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The implementation of this statement did not have an impact on the District's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of this statement did not have an impact on the District's financial statements.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 12. Recently Issued and Implemented Accounting Pronouncements (continued)

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 12. Recently Issued and Implemented Accounting Pronouncements (continued)

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The GASB Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

## First Craven Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 12. Recently Issued and Implemented Accounting Pronouncements (continued)

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The District is currently evaluating the requirements of the above statements and the impact on reporting.

### NOTE II – DETAIL NOTES ON ALL FUNDS

#### A. Assets

##### a. Deposits

All the deposits of the District are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the District's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agents in their names.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the District or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the District under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The District has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.



**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE II – DETAIL NOTES ON ALL FUNDS**

a. Deposits

At June 30, 2023, the District’s deposits had a carrying amount of \$1,622,128 and a bank balance of \$1,631,207. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2023, the District’s petty cash fund totaled \$200.

b. Investments

At June 30, 2023 the District had \$155,887 invested with the North Carolina Capital Management Trust’s Government Portfolio which carried a credit rating of AAAM by Standard and Poor’s. The District has no policy regarding credit risk.

c. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 34,035	\$ -	\$ -	\$ 34,035
<b>Total capital assets not being depreciated</b>	<b>34,035</b>	<b>-</b>	<b>-</b>	<b>34,035</b>
<b>Capital assets being depreciated:</b>				
Buildings and systems	6,759,864	-	35,750	6,724,114
Vehicles and Equipment	435,983	25,834	-	461,817
Leasehold improvements	3,387	-	3,387	-
<b>Total capital assets being depreciated</b>	<b>7,199,234</b>	<b>25,834</b>	<b>39,137</b>	<b>7,185,931</b>
<b>Less accumulated depreciation:</b>				
Buildings and systems	4,194,623	178,614	35,750	4,337,487
Vehicles and Equipment	257,151	32,169	-	289,320
Leashold improvements	3,387	-	3,387	-
<b>Total accumulated depreciation</b>	<b>4,455,161</b>	<b>210,783</b>	<b>39,137</b>	<b>4,626,807</b>
<b>Total capital assets being depreciated, net</b>	<b>2,744,073</b>			<b>2,559,124</b>
<b>Total capital assets, net</b>	<b>\$ 2,778,108</b>			<b>\$ 2,593,159</b>

**NOTE II – DETAIL NOTES ON ALL FUNDS (continued)**

2. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The District is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

## First Craven Sanitary District Notes to Financial Statements

### NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

#### a. Local Governmental Employees' Retirement System (continued)

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The District employees are required to contribute 6% of their compensation. District contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2023, was 12.13% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the District were \$26,389 for the year ended June 30, 2023.

*Refunds of Contributions* - District employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability of \$130,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined.

**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE II – DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees’ Retirement System (continued)

At June 30, 2022 (measurement date), the District’s proportion was 0.00232%, which was an increase of 0.00021% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$42,305. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,640	\$ 553
Changes of assumptions	13,059	-
Net difference between projected and actual earnings on pension plan investments	43,257	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,267	-
Employer contributions subsequent to the measurement date	26,389	-
Total	\$ 100,612	\$ 553

\$26,389 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2024		\$ 24,394
2025		21,118
2026		7,550
2027		20,608
2028		-
		\$ 73,670

## First Craven Sanitary District Notes to Financial Statements

### NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

#### a. Local Governmental Employees' Retirement System (continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies.

Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE II – DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees’ Retirement System (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE II – DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees’ Retirement System (continued)

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
District's proportionate share of net pension liability (asset)	\$ 236,224	\$ 130,880	\$ 44,073

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

2. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the District obtains general liability and auto liability coverage of \$2 million per occurrence, and property coverage up to the total insured values of the property policy.

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the District upon request.

The District carries flood insurance through a commercial policy. This policy provides coverage of \$70,000 for the District’s shop building and contents.

In accordance with G.S. 159-29, District employees that have access to \$100 or more at any given time of the District’s funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond.

**First Craven Sanitary District  
Notes to Financial Statements**

**NOTE II – DETAIL NOTES ON ALL FUNDS (continued)**

3. Long-Term Obligations

a. General Obligation Indebtedness

The general obligation bonds serviced by the District were issued for the acquisition and construction of facilities utilized in the operation of the water system and which are being retired by its resources. All general obligation bonds are collateralized by the full faith, credit, and rate setting power of the District. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2023 are comprised of the following individual issues:

\$1,900,000, 1996 water bonds due in increasing annual installments through June 2034; interest at 5.75%	\$ 814,000

Annual debt service payments of the installment purchase as of June 30, 2023 as follows:

Year Ending June 30	Principal	Interest
2024	\$ 74,000	\$ 46,805
2025	74,000	42,550
2026	74,000	38,295
2027	74,000	34,040
2028	74,000	29,785
2029-2033	370,000	85,100
2034	74,000	4,255
Total	\$ 814,000	\$ 280,830

b. Long-term Obligations

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
General obligation bonds	\$ 888,000	\$ -	\$ 74,000	\$ 814,000	\$ 74,000
Net pension liability (LRS)	32,358	98,522	-	130,880	-
Total long-term liabilities	\$ 920,358	\$ 98,522	\$ 74,000	\$ 944,880	\$ 74,000

**NOTE III – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2023, the date on which the financial statements were available to be issued.



**First Craven Sanitary District  
Proportionate Share of Net Pension Liability (Asset)  
Local Government Employees' Retirement System  
Required Supplementary information  
Last Ten Fiscal Years\***

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
First Craven's proportion of the net pension liability (asset) (%)	0.00232%	0.00211%	0.00213%	0.00236%	0.00257%	0.00275%	0.00288%	0.00219%	0.00310%	0.00310%
First Craven's proportion of the net pension liability (asset) (\$)	\$ 130,880	\$ 32,358	\$ 76,113	\$ 64,449	\$ 60,968	\$ 42,012	\$ 61,123	\$ 9,604	\$ (18,163)	\$ 38,572
First Craven's covered-employee payroll	\$ 220,744	\$ 220,568	\$ 201,231	\$ 194,734	\$ 189,179	\$ 178,410	\$ 164,863	\$ 166,273	\$ 161,738	\$ 158,855
First Craven's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.29%	14.67%	37.82%	33.10%	22.20%	34.26%	5.83%	-10.92%	24.28%	24.28%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

\* The amounts presented for each fiscal year were determined as of prior fiscal year ending June 30. All information available for reporting under current GASB codification is presented. As information becomes available, it will be included in the above table.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**First Craven Sanitary District  
Schedule of Contributions  
Local Government Employees' Retirement System  
Required Supplementary information  
Last Ten Fiscal Years\***

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribuion	\$ 26,389	\$ 26,278	\$ 22,418	\$ 19,137	\$ 16,406	\$ 15,248	\$ 14,182	\$ 12,345	\$ 12,376	\$ 11,726
Contributions in relation to the contractually required contribution	<u>26,389</u>	<u>26,278</u>	<u>22,418</u>	<u>19,137</u>	<u>16,406</u>	<u>15,248</u>	<u>14,182</u>	<u>12,345</u>	<u>12,376</u>	<u>11,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
First Craven's covered employees payroll	<u>\$ 226,753</u>	<u>\$ 220,744</u>	<u>\$ 220,568</u>	<u>\$ 201,231</u>	<u>\$ 197,434</u>	<u>\$ 189,179</u>	<u>\$ 178,410</u>	<u>\$ 164,863</u>	<u>\$ 166,273</u>	<u>\$ 161,738</u>
Contributions as a percentage of covered payroll	11.64%	11.90%	10.16%	9.51%	8.31%	8.06%	7.95%	7.49%	7.44%	7.25%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. All information available for reporting under current GASB Codification is presented. As information becomes available, it will be included in the above table.

**First Craven Sanitary District**  
**Schedule of Revenues and Expenditures –Operating Fund**  
**Budget and Actual-(Non-GAAP)**  
**For the Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Water service revenue		\$ 1,060,164	
Water taps		19,450	
Reconnect fees		13,507	
Application fees		10,125	
System development fees		23,332	
Other revenues		10,193	
Total operating revenues	\$ 1,081,500	1,136,771	\$ 55,271
Nonoperating revenues			
Interest income	18,500	21,506	3,006
Total revenues	1,100,000	1,158,277	58,277
<b>EXPENDITURES</b>			
Water treatment and distribution			
Water treatment supplies		109,574	
Auto, truck and travel		14,967	
Repairs and maintenance		47,176	
Supplies and materials		96,696	
Utilities		48,450	
Water Testing		18,927	
Uniform rental		2,760	
Lab supplies		522	
Other expenditures		309	
Total water treatment and distribution	414,600	339,381	75,219
Personnel and related costs			
Salaries		226,753	
Retirement expense		32,049	
Group insurance		31,851	
Payroll taxes		18,465	
Total personnel and related costs	323,700	309,118	14,582

**First Craven Sanitary District  
Schedule of Revenues and Expenditures –Operating Fund  
Budget and Actual-(Non-GAAP)  
For the Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General and administrative costs</b>			
Insurance and bonds		21,497	
Workers compensation		2,086	
Professional services		16,400	
Board member fees		14,625	
Computer services		6,725	
Cleaning services		540	
Printing services		2,158	
Security		488	
Employee education		1,290	
Postage		12,635	
Telephone		3,171	
Office supplies		4,127	
Dues and subscriptions		4,791	
Advertising		100	
Other expenditures		7,027	
Total general and administrative costs	154,725	97,660	57,065
<b>Debt service</b>			
Principal		74,000	
Interest		48,360	
Total debt service	125,060	122,360	2,700
Capital outlay	81,915	25,834	56,081
Total expenditures	1,100,000	894,353	205,647
Revenues over (under) expenditures	\$ -	\$ 263,924	\$ 263,924

**First Craven Sanitary District**  
**Schedule of Revenues and Expenditures –Operating Fund**  
**Budget and Actual-(Non-GAAP)**  
**For the Year Ended June 30, 2023**

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues over (under) expenditures	\$ 263,924
Reconciling items:	
Capital outlay	25,834
Principal retirement	74,000
Increase in deferred outflows of resources - pensions	36,918
Increase in net pension liability	(98,522)
Decrease in deferred inflows of resources - pensions	45,679
Depreciation	(210,783)
Change in net position	\$ 137,050



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**INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
First Craven Sanitary District  
Bridgeton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the First Craven Sanitary District (the “District”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 26, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, P.L.L.C.*

CARR, RIGGS & INGRAM, P.L.L.C.

New Bern, North Carolina

October 26, 2023